



Q & A: Income Tax Credit for Property Taxes Paid to a Connecticut Political Subdivision

Purpose: This Informational Publication answers commonly-asked questions about the income tax credit for property taxes paid to a Connecticut political subdivision.

Effective Date: Effective for taxable years beginning on or after January 1, 2003.

Statutory Authority: Conn. Gen. Stat. §12-704c, as amended by 2003 Conn. Pub. Acts 1, §101.

What Is the Income Tax Credit for Property Taxes Paid to a Connecticut Political Subdivision?

If you are a Connecticut resident and made qualifying property tax payments on your primary residence (if owned by you) or your motor vehicle (if owned or leased by you), you may be eligible to take a credit against your 2003 Connecticut income tax liability. The maximum property tax credit is \$350 per return.

What Are Qualifying Property Tax Payments?

Qualifying property tax payments are payments of property taxes on your primary residence (if owned by you) or your motor vehicle (if owned or leased by you) that:

- You made during 2003 to a Connecticut political subdivision and for which you are liable (or if you file a joint return with your spouse, for which you, your spouse, or both of you, are liable); **and**
- First became due during 2003, including supplemental property taxes on a motor vehicle that first became due during 2003. Where property taxes are due and payable in two or more installments, each installment is first due on the date designated by the Connecticut political subdivision.

Qualifying property tax payments do not include any interest, fees, or charges related to property taxes.

If a Connecticut political subdivision designates that an installment is due and payable during 2003, the installment is first due during 2003, and qualifies for the credit if paid during 2003.

Example 1: Lisa received a property tax bill for a motor vehicle that was listed on her town's October 1, 2001, grand list. The bill was payable in two installments, July 1, 2002, and January 1, 2003. If Lisa paid the January 1, 2003 installment during 2003, she would claim it on her 2003 income tax return, but if she prepaid it during 2002, she would not be eligible to claim it on her 2003 return, but she may have been eligible to claim it on her 2002 return.

If a Connecticut political subdivision designates a property tax installment is due and payable during 2004, but an earlier installment of that property tax first became due during 2003, you may choose to treat the 2004 installment as first becoming due during 2003 if you paid it during 2003. On the other hand, if you paid the 2004 installment during 2004, you may not use the payment to calculate the 2003 property tax credit, but you may use the payment to calculate the 2004 property tax credit.

Example 2: Mary received a property tax bill for a motor vehicle that was listed on her town's October 1, 2002, grand list. The bill was payable in two installments, July 1, 2003, and January 1, 2004. Mary is eligible to take credit for both installments on her 2003 income tax return if she paid both installments during 2003. If Mary waited until 2004 to pay her second installment, she would not be eligible to claim it on her 2003 return, but she may be eligible to claim it on her 2004 return.

Payments of property taxes on your privately leased motor vehicle are also qualifying property tax payments if you or the leasing company made payments of property taxes during 2003 to a Connecticut political subdivision that first became due during 2003. (See *What Is a Privately Owned or Leased Motor Vehicle?*, at right.)

What Is a Connecticut Political Subdivision?

It is a Connecticut city or town or any tax district in a Connecticut city or town.

What Limitations Apply to the Credit?

Depending upon the amount of property taxes paid by you to a Connecticut municipality and your Connecticut adjusted gross income, the amount of your property tax credit may be reduced or you may not be entitled to a credit. Formerly, if you paid at least \$100 in property taxes to a Connecticut municipality and you owed at least \$100 in Connecticut income tax, you were entitled to a property tax credit of at least \$100, regardless of the amount of your Connecticut adjusted gross income.

You must complete the *Property Tax Credit Limitation Worksheet* that is included with your Connecticut resident income tax return instruction booklet to calculate the amount of credit you are allowed. You may use the “Property Tax Credit Calculator” on the Department of Revenue Services Web site. Visit www.ct.gov/DRS and click on Filing Season Help, Property Tax Credit Calculator or go to the Forms Link/2003 Income Tax.

May I Claim the Credit if I Did Not Make Qualifying Property Tax Payments to a Connecticut Political Subdivision During 2003?

No. The property tax credit is based on qualified payments made during 2003.

May I Claim the Credit if I Did Not Have a Connecticut Income Tax Liability in 2003?

No. If your Connecticut income tax liability as reported on your 2003 **Form CT-1040**, Line 10; **Form CT-1040EZ**, Line 4; or as computed by the Connecticut Telefile System is zero, you are not eligible for a credit. The credit is not refundable and may not be carried forward.

What Is My Primary Residence?

Your primary residence is your principal place of abode. To qualify for the credit, the title to your primary residence must be in your name (or, if you along with another person or persons own the residence, the title must be in your names) and your primary residence must be located within Connecticut.

If you rent your primary residence from someone else, you cannot claim the credit even if your landlord bills you for the property taxes. Likewise, you may not claim the credit for property taxes you pay on a second home, vacation home, or investment property, even if located in Connecticut.

What Is a Privately Owned or Leased Motor Vehicle?

It is a motor vehicle, as defined by Conn. Gen. Stat. §14-1, which includes cars, motorcycles, trucks, and any other vehicle suitable for operation on a highway and that can be registered for motor vehicle registration purposes, whether or not the vehicle is registered. For example, a motor home or an antique car that could be registered for motor vehicle purposes (whether or not it is registered) and is suitable for operation on a highway is a motor vehicle. A motor vehicle is considered privately owned if the title to the motor vehicle is in your name (or, if you along with another person or persons own the vehicle, the title is in both your names). A motor vehicle is considered privately leased if the lease for the motor vehicle identifies you as the lessee (or, if the motor vehicle is leased to you along with another person, the lease identifies you both as the lessee).

If you lease a motor vehicle from a leasing company or anyone else, you are eligible to claim the credit (even if the leasing company pays the property taxes on your leased motor vehicle) if all of the following conditions are met:

- You had a written lease agreement for a term of more than one year; **and**
- You or the leasing company made qualifying property tax payments during 2003; **and**
- You lawfully possessed the motor vehicle when the taxes first became due.

How Do I Know the Amount of Qualifying Property Tax Payments on My Leased Motor Vehicle?

Qualifying property tax payments made during 2003 either by you or the leasing company are eligible for the credit. See *What are Qualifying Property Tax Payments*, on Page 1. To determine the amount of property taxes that may be eligible for the credit, refer to the January 2004 billing statement from your leasing company. Your statement will either indicate the amount of property taxes paid on your leased motor vehicle or provide you with a toll-free number that you may call to obtain the necessary information. If you do not receive a billing statement in January 2004, contact your leasing

company for the appropriate property tax information.

If I Am Married, How Does My Income Tax Filing Status Affect the Amount of the Credit?

Joint Return

If you and your spouse are both Connecticut residents and file a **joint federal income tax return**, you and your spouse must file a **joint Connecticut income tax return**. The credit on your joint Connecticut income tax return may not exceed \$350. If you, or your spouse, or both of you, own (whether as joint tenants with right of survivorship or as tenants in common) your primary residence or own or lease your motor vehicle, you may claim the credit on your 2003 Connecticut income tax return as long as you or your spouse, or both of you, made qualifying property tax payments during 2003 on such property.

Separate Returns

If you and your spouse are Connecticut residents and you file **separate federal income tax returns**, you must file **separate Connecticut income tax returns**. The credit on your separate Connecticut income tax return may not exceed \$350 and the credit on your spouse's separate Connecticut income tax return may not exceed \$350.

You may make qualifying property tax payments for your primary residence (if owned by you) or your motor vehicle (if owned or leased by you). If you do not own your primary residence or if you do not own or lease your motor vehicle, you may not claim the credit even if you paid the property taxes during 2003.

Similarly, if your spouse does not own his or her primary residence or if your spouse does not own or lease his or her motor vehicle, your spouse may not claim the credit even if your spouse paid the property taxes during 2003.

If you and your spouse own your primary residence together, or if you and your spouse own or lease your motor vehicle together, see the next question.

What if I Own My Primary Residence or a Privately Owned Motor Vehicle With Another Person?

Joint Tenancy

If the property is joint tenancy (with right of survivorship) property, each joint tenant is liable for the full amount of the property tax and is eligible to claim a property tax credit of up to \$350 if at least \$350 of qualifying property tax payments were made.

Example 3: You and your sister own a motor vehicle as joint tenants with a right of survivorship. You and your sister receive a property tax bill for \$600 first due on July 1, 2003. You paid \$525 of that bill during 2003, and your sister paid \$75 of that bill during 2003. On your 2003 Connecticut income tax return, you claim your filing status is *Single* and report Connecticut adjusted gross income that is less than \$54,500.

On your sister's 2003 Connecticut income tax return, she claims her filing status is *Single* and reports Connecticut adjusted gross income that is less than \$54,500.

While you made qualifying property tax payments of \$525, your credit may not exceed \$350. You may claim as a credit the lesser of \$350 or the amount of your Connecticut income tax liability as reported on your 2003 **Form CT-1040**, Line 10; **Form CT-1040EZ**, Line 4; or the amount computed by the Connecticut Telefile System.

Your sister made qualifying property tax payments of \$75 and may claim as a credit the lesser of \$75 or the amount of her Connecticut income tax liability as reported on her 2003 **Form CT-1040**, Line 10; **Form CT-1040EZ**, Line 4; or the amount computed by the Connecticut Telefile System.

Tenancy in Common

If the property is tenancy in common property, each tenant in common is liable for the property taxes but only to the extent of that person's interest in the property.

Each is eligible to claim the credit of up to \$350 if that person made qualifying property tax payments on the property at least equaling the credit claimed (but not exceeding that person's liability for the property tax).

Example 4: You and your cousin each own an undivided one-half interest, as tenants in common, in a house that is a primary residence for both of you. You and your cousin receive a property tax bill for \$600 first due on July 1, 2003, from a Connecticut municipality on that property. You paid \$350 of that bill during 2003 and your cousin paid \$125 of that bill during 2003 and \$125 of that bill during 2004. On your 2003 Connecticut income tax return, you claim your filing status is *Single* and report Connecticut adjusted gross income that is less than \$54,500. On your cousin's 2003 Connecticut income tax return, he claims his filing status is *Single* and reports Connecticut adjusted gross income that is less than \$54,500.

While you made property tax payments of \$350, only \$300 was a qualifying property tax payment. (Each tenant in common is liable for the property taxes but only to the extent of that person's interest in the property, so you are liable for only half (\$300) of the property tax bill (\$600).) You may claim as a credit the lesser of \$300, or the amount of your Connecticut income tax liability as reported on your 2003 **Form CT-1040**, Line 10; **Form CT-1040EZ**, Line 4; or the amount computed by the Connecticut Telefile System.

While your cousin made property tax payments of \$250, only \$125 was a qualifying property tax payment, because your cousin paid only \$125 during 2003. Your cousin may claim as a credit the lesser of \$125, or the amount of his Connecticut income tax liability as reported on his 2003 **Form CT-1040**, Line 10; **Form CT-1040EZ**, Line 4, or the amount computed by the Connecticut Telefile System.

May I Claim the Credit if I Used a Building Both as My Primary Residence and for Some Other Purpose?

Yes, but only a portion of the property tax payments on the building are qualifying property tax payments. If your circumstances are the same as those described in either of the following examples, you must calculate the portion of the property tax payments on the building that are qualifying tax payments.

Example 5: Herb used part of a building he owned as his primary residence for the entire taxable year and the rest of the building as rental property for the entire taxable year. Only a portion of the property tax payments on the building are qualifying property tax payments. Herb must calculate the portion of property tax payments on the building that are qualifying property tax payments.

Example 6: Jennifer used a building she owned as her primary residence for part of the year and to carry on a trade or business (and not as her primary residence) for the rest of the year. Only a portion of the property tax payments on the building are qualifying property tax payments. Jennifer must calculate the portion of property tax payments on the building that are qualifying property tax payments.

To calculate the amount of property taxes on the building eligible for the credit, multiply the property taxes that you paid during the taxable year on the building by the following fraction. The **numerator** of the fraction is the amount of property taxes you paid during the taxable year on the building and that is deductible from your *federal adjusted gross income* on federal Schedule A, Itemized Deductions. The **denominator** of the fraction is the sum of the amount of property taxes you paid during the taxable year on the building and that is deductible from your:

1. *Federal gross income* as a trade, business, or rental property expense; **and**
2. *Federal adjusted gross income* on federal Schedule A, Itemized Deductions.

The result is the portion of the property tax payments on the building that are qualifying property tax payments.

May I Receive a Refund or Carry Forward the Excess to My 2004 Connecticut Income Tax Return if I Made Property Tax Payments in Excess of My Tax Liability?

No. The maximum credit allowed is \$350, and any excess may not be refunded or carried forward.

May I Claim the Credit on More Than one Privately Owned or Leased Motor Vehicle?

Yes, if your filing status for Connecticut income tax purposes is *Married Filing Jointly*, you may include qualifying property tax payments on up to two motor vehicles that you own or lease. If your filing status for Connecticut income tax purposes is *Single*, *Married Filing Separately*, or *Head of Household*, you may include qualifying property tax payments on only one motor vehicle that you own or lease, even if you sell a motor vehicle and purchase (or lease) a replacement motor vehicle during the taxable year and only own (or lease) one motor vehicle at any time during the taxable year.

May I Claim the Credit if I Pay Property Taxes on Another Person's Primary Residence or Privately Owned or Leased Motor Vehicle?

No, unless that other person is your spouse and you and your spouse are required to file a joint Connecticut income tax return. (See *If I Am Married, How Does My Income Tax Filing Status Affect the Amount of the Credit?*, on Page 3.)

May a Nonresident or a Part-Year Resident Claim the Credit?

No. Only Connecticut resident individuals are eligible. Resident trusts or estates are also not eligible.

What Records Should I Keep to Substantiate the Credit I Claimed?

A receipt from the Connecticut political subdivision, a billing statement from your leasing company, your canceled check in payment of property tax, or a federal Form 1098, Mortgage Interest Statement, from your bank or mortgage company (if property tax is included in your monthly mortgage payments) is sufficient to support your claim for credit. Do not attach these records to your tax return. Keep these records for at least three years from the due date (or, if you request an extension of time to file your return, from the extended due date) of your return.

What if I Am Not a Calendar Year Taxpayer for Federal Income Tax Purposes?

Most individuals use the calendar year as their taxable year for federal income tax purposes and, therefore, for Connecticut income tax purposes. If you use a fiscal year other than the calendar year as your taxable year for federal income tax purposes, you must also use that fiscal year for Connecticut income tax purposes. You may claim the credit for property taxes that first became due during your taxable year beginning in 2003, and that you paid during your taxable year beginning in 2003. Wherever this Informational Publication refers to 2003, substitute *your taxable year beginning in 2003*.

What if I Am Not a Cash Basis Taxpayer for Federal Income Tax Purposes?

Most individuals are cash basis taxpayers for federal income tax purposes and, therefore, for Connecticut income tax purposes. If you are an accrual basis

taxpayer for federal income tax purposes, you are also an accrual basis taxpayer for Connecticut income tax purposes. You may claim the credit for property taxes for which you are liable (because you own a primary residence or a privately owned motor vehicle or lease a privately leased motor vehicle) and that first became due and were paid during 2003.

Effect on Other Documents: Informational Publication 2002(23), *Q & A: Income Tax Credit for Property Taxes Paid to a Connecticut Political Subdivision*, is modified and superseded and may not be relied upon for taxable years beginning on or after January 1, 2003.

Effect of This Document: An Informational Publication addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (in-state), or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit anytime by calling 860-297-4911.

Forms and Publications: Forms and publications are available anytime by:

- **Internet:** Preview and download forms and publications from the DRS Web site at www.ct.gov/DRS
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu.
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.

Paperless Filing Method (fast, easy, free, and confidential):

- **For business returns:** Use *Fast-File* to file sales and use taxes, business use tax, room occupancy tax, or withholding tax returns over the Internet or telephone. Visit the DRS Web site at www.ct.gov/DRS and click on *File Returns On-Line* or call **860-947-1988**.